

Message Text

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PAGE 01 VALLET 01528 01 OF 02 301544Z
ACTION EUR-12

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C O N F I D E N T I A L SECTION 1 OF 2 VALLETTA 1528

E.O. 11652: GDS
TAGS: PINT, PFOR, MT
SUBJECT: MALTA - QUARTERLY POLITICAL/ECONOMIC REPORT

REF: VALLETTA 1164, (DTG 071545Z OCT 76)

1. SUMMARY - AS 1976 COMES TO A CLOSE, MALTA IS IN THE
PROCESS OF SIGNIFICANT CHANGES WITHIN ITS RELIGIOUS AND
POLITICAL CIRCLES, CHANGES WHICH MEAN THE REPLACEMENT
OF LEADERS WHO HAVE BEEN ACTIVE AND INFLUENTIAL FOR MORE
THAN A QUARTER OF A CENTURY. A NEW ARCHBISHOP, A NEW
PRESIDENT, AND CHANGES IN THE HIERARCHIES OF BOTH THE
LABOR AND NATIONALIST POLITICAL PARTIES OCCURRED OR WERE
PLANNED DURING THIS QUARTER. AT THE SAME TIME, THE
BASIC PROBLEM OF WHAT HAPPENS TO MALTA AFTER 1979 HAS
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PAGE 02 VALLET 01528 01 OF 02 301544Z

BEEN CHARACTERIZED AS "THE FORMIDABLE TASK" FACING
THESE NEW LEADERS WHO, TOGETHER WITH THE FLAMBOYANT PRIME
MINISTER MINTOFF, MUST NOW WORK CAREFULLY, BUT EFFECTIVELY,
IF THE FORTHCOMING DEPARTURE OF THE RESIDENT BRITISH
MILITARY FORCES IS NOT TO DISRUPT THE MALTESE ECONOMY.
OFFICIAL US/MALTESE BILATERAL RELATIONS REMAINED HARMONIOUS

DURING THIS QUARTER, WHILE THE VISIT OF DEPUTY SECRETARY OF DEFENSE ELLSWORTH TO MALTA RAISED HOPES OF CLOSER FUTURE COOPERATION WHICH MIGHT BE OF BENEFIT TO MALTA.
END SUMMARY

2. THE OLD ORDER CHANGES: NEW FACES - DURING THE LAST QUARTER OF 1976, THERE WERE NUMEROUS, AND PERHAPS FAR-REACHING, CHANGES IN THE POLITICAL AND RELIGIOUS HIERARCHIES IN MALTA. AFTER MORE THAN A QUARTER OF A CENTURY OF FAMILIAR FACES IN POSITIONS OF AUTHORITY, THE OLD ORDER FINALLY IS CHANGING IN THIS COUNTRY, WHERE AGE AND SENIORITY HAVE ALWAYS BEEN MOST IMPORTANT.

AFTER 33 YEARS AS ARCHBISHOP OF MALTA, THE 91-YEAR-OLD SIR MICHAEL GONZI WAS, AT LAST, "RETIRED" BY THE VATICAN IN NOVEMBER, AND REPLACED BY HIS 48-YEAR-OLD AUXILIARY BISHOP, MONSIGNOR GIUSEPPE MERECIA. PRIME MINISTER MINTOFF HAD INTERVENED WITH THE VATICAN TO KEEP THE AGED ARCHBISHOP IN PLACE UNTIL AFTER THE SEPTEMBER ELECTION, IN ORDER TO AVOID POSSIBLE DIFFICULTIES WITH A NEW ARCHBISHOP DURING THE POLITICAL CAMPAIGN. ARCHBISHOP MERECIA HAS, THUS FAR, REVEALED LITTLE OF HIS ATTITUDES AND PLANS CONCERNING FUTURE CHURCH-STATE RELATIONS IN MALTA. HOWEVER, IT IS GENERALLY HOPED THAT THERE WILL CONTINUE TO BE IMPROVEMENTS IN THIS RATHER DELICATE AREA, AND THAT THE MORE RABID ANTI-CLERICALS AMONG PRIME MINISTER MINTOFF'S LABOR PARTISANS WILL AVOID PROVOKING AND NEW ROUND OF RELIGIOUS/POLITICAL DISPUTES SUCH AS THOSE WHICH WERE SO IN EVIDENCE DURING THE EARLY YEARS OF MINTOFF'S PREVIOUS TERM OF OFFICE.

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PAGE 03 VALLET 01528 01 OF 02 301544Z

THERE ALSO HAS BEEN A SIGNIFICANT CHANGE AMONG THE UPPER RANKS OF MINTOFF'S MALTA LABOR PARTY. AFTER 21 YEARS AS DEPUTY LEADER OF THE PARTY, THE 65-YEAR-OLD MINISTER OF JUSTICE, DR. ANTON BUTTIGIEG, RESIGNED IN OCTOBER. AT MINTOFF'S REQUEST, THE LABOR PARTY REPLACED BUTTIGIEG WITH TWO NEW DEPUTY LEADERS, ONE FOR GOVERNMENT AND PARLIAMENTARY AFFAIRS, AND ONE FOR PARTY AFFAIRS. THE SENIOR OF THE TWO NEW DEPUTY LEADERS IS 59-YEAR-OLD DR. JOSEPH CASSAR, WHO ALSO REPLACED BUTTIGIEG AS MINISTER OF JUSTICE IN MINTOFF'S CABINET. CASSAR ALSO NOW BECOMES THE HEIR APPARENT TO MINTOFF AS PARTY LEADER AND A POSSIBLE FUTURE PRIME MINISTER.

THE SECOND NEW DEPUTY LEADER OF THE LABOR PARTY IS 32-YEAR-OLD BACK-BENCHER DR. JOSEPH BRINCAT, A LAWYER REPRESENTING THE YOUNGER WING OF THE PARTY. THE ELECTION OF CASSAR AND BRINCAT HAS BEEN GENERALLY WELL RECEIVED, AS THEY ARE BOTH CONSIDERED TO BE "MODERATES" WITHIN THE RANKS OF THE LABOR PARTY ACTIVISTS.

ON THE OTHER SIDE OF THE PARLIAMENTARY AISLE, THE OPPOSITION NATIONALIST PARTY IS MOVING TOWARD AN EVEN MORE RADICAL RESTRUCTURING OF ITS LEADERSHIP. AFTER 26 YEARS AS PARTY LEADER, DR. GIORGIO BORG OLIVIER ADVISED THE NATIONALISTS IN LATE DECEMBER THAT HE WOULD STEP DOWN IN EARLY JANUARY. AT AGE 65, AND FOLLOWING TWO SUCCESSIVE ELECTORAL DEFEATS BY MINTOFF, BORG OLIVIER'S INCREASINGLY INEFFECTIVE LEADERSHIP MADE IT ALMOST MANDATORY THAT THE NATIONALISTS REPLACE HIM WITH A YOUNGER, MORE VIGOROUS MAN. THIS IS EXPECTED TO BE DONE BY THE MIDDLE OF JANUARY. LEADING CANDIDATES TO BE THE NEW HEAD OF THE NATIONALIST PARTY ARE DR. EDDIE FENECH ADAMI, AGE 43, AND DR. GUIDO DEMARCO, AGE 45, BOTH LAWYERS WITH REPUTATIONS AS ACTIVE, INNOVATIVE MEN.

AND FINALLY, MALTA'S FIRST PRESIDENT (AND FORMER GOVERNOR-GENERAL) SIR ANTHONY MAMO RETIRED ON CHRISTMAS DAY, AS REQUIRED BY THE CONSTITUTION, WITHIN THREE MONTHS OF THE GENERAL ELECTION IN SEPTEMBER. THE
CONFIDENTIAL

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PAGE 04 VALLET 01528 01 OF 02 301544Z

MALTESE PARLIAMENT CHOSE DR. ANTON BUTTIGIEG TO SUCCEED HIM, AT MINTOFF'S INSISTENCE, DESPITE MISGIVINGS AMONG NATIONALIST AND INDEPENDENT CIRCLES OVER BUTTIGIEG'S EXTREMELY PARTISAN AND FREQUENTLY OUTSPOKEN POLITICAL CAREER AS A LABOR PARLIAMENTARIAN. IT IS HOPED THAT BUTTIGIEG WILL CURB HIS MORE VIOLENT ANTI-NATIONALIST AND ANTI-CLERICAL SENTIMENTS IN HIS NEW CEREMONIAL ROLE AS PRESIDENT.

SO AFTER MANY IMPORTANT PERSONALITY CHANGES WITHIN A VERY BRIEF PERIOD, THE ONLY TOWERING FIGURE REMAINING ON THE MALTESE SCENE IN A POSITION OF POWER IS PRIME MINISTER MINTOFF HIMSELF. THIS FACT CAN ONLY REINFORCE HIS CONTINUED DOMINANCE OF EVERYTHING THAT AFFECTS MALTA, AND HIS WELL-KNOWN INSISTENCE ON RUNNING A STRONG, ONE-MAN-BAND STYLE OF GOVERNMENT IN THIS COUNTRY.

3. THE OLD PROBLEMS REMAIN: THE FORMIDABLE TASK - A SINGLE SUBJECT DOMINATED MALTESE THOUGHT DURING THIS QUARTER: NOW THAT MINTOFF HAS BEEN RE-ELECTED FOR A SECOND FIVE-YEAR TERM AS PRIME MINISTER, WHAT HAPPENS TO MALTA AFTER MARCH 1979, WHEN BRITISH MILITARY FORCES WILL FINALLY HAVE LEFT AFTER ALMOST 180 YEARS OF RESIDENCE?

MINTOFF HAS STATED THAT THE ANSWER IS CLEAR. MALTA WILL BE "NEUTRAL", WITH ITS "SECURITY AND ECONOMIC VIABILITY" GUARANTEED BY A SOMEWHAT STRANGE MIXTURE OF "FRIENDLY" MEDITERRANEAN COUNTRIES, AMONG WHICH HE INCLUDES LIBYA, ALGERIA, FRANCE AND ITALY, AND HOPEFULLY GREECE, SPAIN AND TUNISIA.
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PAGE 01 VALLET 01528 02 OF 02 301612Z
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C O N F I D E N T I A L SECTION 2 OF 2 VALLETTA 1528

THE KEY PROBLEM, IDENTIFIED AS A "FORMIDABLE TASK"
IN THE SPEECH ON GOVERNMENT POLICY DELIVERED BY THE
PRESIDENT AT THE OPENING OF PARLIAMENT IN NOVEMBER (BUT
WRITTEN BY MINTOFF), IS FOR MALTA TO FIND A SUBSTITUTE
FOR THE FORTHCOMING LOSS OF THE SUBSTANTIAL ANNUAL INCOME
WHICH IT DERIVES FROM THE RESIDENT BRITISH MILITARY FORCES.
MINTOFF'S LABOR GOVERNMENT STRONGLY DESIRES THE FINAL
ELIMINATION OF FOREIGN MILITARY BASES FROM MALTESE SOIL,
AND EVEN THE OPPOSITION NATIONALISTS AND THE GENERAL
PUBLIC AGREE WITH THIS. BUT THE DIFFICULTY IS TO FIND
AN ALTERNATE SOURCE OF INCOME AFTER 1979. OTHERWISE,
THE MALTESE ECONOMY AND THE RELATIVELY HIGH STANDARD OF
LIVING WHICH THE GENERAL PUBLIC HAS LONG SINCE COME TO
ENJOY AND EXPECT COULD SUFFER SERIOUS DISRUPTIONS.

MINTOFF BELIEVES THAT MALTA'S "FRIENDS" SHOULD ASSIST
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PAGE 02 VALLET 01528 02 OF 02 301612Z

IN THE MONETARY SIDE OF THE EQUATION WHICH HE HAS OUTLINED FOR MALTA'S FUTURE. ACCORDING TO MINTOFF, THOSE COUNTRIES THAT APPROVE AND "GUARANTEE" MALTA'S FUTURE NEUTRALITY SHOULD PAY FOR THAT "PRIVILEGE" BY PROVIDING THE NECESSARY INVESTMENTS TO CREATE A LARGE NUMBER OF ADDITIONAL JOBS IN MALTA TO OFFSET THE LOSS OF INCOME WHICH WILL OCCUR WHEN THE BRITISH DEPART.

MINTOFF IS, THEREFORE, PRESSURING NEARBY COUNTRIES (WITH THE ACTIVE ASSISTANCE OF THE ITALIAN GOVERNMENT) TO MAKE SIZEABLE FINANCIAL COMMITMENTS TO MALTA. AND MINTOFF EVEN HAS ATTEMPTED TO PUT A SKETCHY PRICE TAG ON HIS FUTURE NEEDS. BY THE END OF 1979, OR WITHIN THE NEXT THREE YEARS, MINTOFF HAS STATED THAT MALTA MUST CREATE 23,700 NEW JOBS (CURRENT EMPLOYMENT IS ABOUT 109,000 OUT OF A TOTAL POPULATION OF 320,000), AND MUST DOUBLE ITS ANNUAL MANUFACTURING OUTPUT FROM APPROXIMATELY 235 MILLION DOLLARS TO 475 MILLION DOLLARS.

TO ACCOMPLISH THIS, MINTOFF IS CALLING FOR THE INVESTMENT OF SOME 557 MILLION DOLLARS OVER THE NEXT THREE YEARS, OF WHICH HE EXPECTS HIS "FRIENDLY GUARANTORS" TO PROVIDE 282 MILLION DOLLARS. THAT TRANSLATES INTO ALMOST 95 MILLION DOLLARS PER YEAR IN EXTRA OUTSIDE INCOME, OVER AND ABOVE THE ESTIMATED ANNUAL SUBSIDY OF 80 MILLION DOLLARS WHICH MALTA NOW RECEIVES AS A RESULT OF THE BRITISH MILITARY PRESENCE. A FORMIDABLE TASK INDEED*

BUT BEYOND THE DIFFICULTY OF FINDING SOURCES FOR SUCH SUBSTANTIAL SUMS, THERE IS ABSOLUTELY NO GUARANTEE THAT THESE FUNDS WOULD BE INVESTED WISELY, OR EVEN IF THEY ARE, THAT THIS WOULD PRODUCE THE LARGE NUMBER OF PERMANENT JOBS WHICH MALTA SO BADLY REQUIRES TO MAINTAIN ITS "ECONOMIC VIABILITY." MINTOFF WAS NOTORIOUSLY UNSUCCESSFUL IN SOLVING MALTA'S ENDEMIC UNEMPLOYMENT PROBLEM DURING HIS PREVIOUS TERM AS PRIME MINISTER, AND ONLY BY RESORTING TO A DISGUISED FORM OF THE DOLE WAS HE ABLE TO KEEP MASSES OF UNEMPLOYED OFF THE STREETS. CONFIDENTIAL

CONFIDENTIAL

PAGE 03 VALLET 01528 02 OF 02 301612Z

AND THERE IS NO EVIDENCE TO INDICATE THAT HE WILL BE ANY MORE SUCCESSFUL IN THE FUTURE, EVEN IF HE IS ABLE TO BEG, BORROW, OR STEAL MILLIONS OF DOLLARS FROM MALTA'S MEDITERRANEAN NEIGHBORS. OFFICIAL GOM STATISTICS REPORT ALMOST 5,000 WORKERS ARE NOW ACTUALLY UNEMPLOYED, WITH ANOTHER 8,000 IN LARGELY NON-PRODUCTIVE GOVERNMENT-SPONSORED MAKE-WORK JOB CORPS. THESE NUMBERS ARE GROWING, AS VARIOUS LOCAL FACTORIES SUCCUMB TO THE RIGORS OF INTERNATIONAL ECONOMICS.

SO WHILE "THE FUTURE BECKONS" FOR MALTA (IN A FAVORITE MINTOFF PHRASE), THE SOLUTION TO "ECONOMIC VIABILITY" AFTER 1979 WILL NOT BE AN EASY ONE.

4. BILATERAL RELATIONS - OFFICIAL US/MALTESE RELATIONS CONTINUED TO BE HARMONIOUS AND FRIENDLY DURING THIS QUARTER. THE EMBASSY HAS MAINTAINED EFFECTIVE AND PRODUCTIVE CONTACTS WITH OFFICIALS AT ALL LEVELS OF THE GOM, AND THERE EVEN HAS BEEN A RESTRAINED, BUT NOTICEABLE, IMPROVEMENT IN THESE RELATIONSHIPS SINCE THE BEGINNING OF PRIME MINISTER MINTOFF'S SECOND TERM OF OFFICE.

FROM THE STANDPOINT OF THE GOM, THE MOST SIGNIFICANT EVENT IN OUR BILATERAL RELATIONS FOR SEVERAL YEARS WAS THE DECEMBER 12-14 VISIT TO MALTA BY DEPUTY SECRETARY OF DEFENSE ROBERT ELLSWORTH TO RECEIVE THE MEDAL AND SCROLL OF MEMBERSHIP IN THE MALTESE SOCIETY OF HONOR. WHILE IN MALTA, MR. ELLSWORTH HAD THREE SEPARATE MEETINGS WITH PRIME MINISTER MINTOFF, DURING WHICH THERE WERE FRANK AND COMPREHENSIVE EXCHANGES OF VIEWS ON BILATERAL AND MULTILATERAL SUBJECTS OF MUTUAL INTEREST.

MR. ELLSWORTH'S VISIT SERVED THE VERY USEFUL PURPOSE OF FINALLY ACCEDING TO PRIME MINISTER MINTOFF'S LONG STANDING DESIRE TO HAVE A SENIOR USG OFFICIAL COME TO MALTA TO HEAR HIM OUT ON HIS PLANS FOR MALTA'S FUTURE, AND HOW THE USG MIGHT BE INVOLVED IN THOSE PLANS.

ALTHOUGH MR. ELLSWORTH'S VISIT DID NOT PRODUCE ANY USG COMMITMENT CONCERNING MALTA'S FUTURE SECURITY AND CONFIDENTIAL

CONFIDENTIAL

PAGE 04 VALLET 01528 02 OF 02 301612Z

ECONOMIC NEEDS, THE MERE FACT THAT HE CAME TO MALTA HAS RAISED HOPES AMONG MANY MALTESE THAT THIS MIGHT EVENTUALLY BE THE CASE. THERE HAS BEEN AN OBVIOUS GROUND SWELL OF OPTIMISM, IN BOTH OFFICIAL AND UNOFFICIAL MALTESE CIRCLES, THAT PRIME MINISTER MINTOFF MAY EVENTUALLY TAKE STEPS TO IMPROVE HIS RELATIONSHIPS WITH THE USG WHICH, IN TURN, MIGHT RESULT IN SPECIFIC ECONOMIC AND FINANCIAL ADVANTAGES FOR MALTA. WIGGINS

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